

Our view on next week's key events

Discover what ING analysts are looking for next week in our global economic calendars

In this bundle



Key Events | United Kingdom...

Key events in developed markets next week

Inflation, retail sales and wage growth data are in the spotlight next week for developed markets

By James Knightley and James Smith



Asia week ahead | Australia | India...

Asia Week Ahead: Jobs data from Australia, India's inflation report and a central bank meeting

Australia's jobs report and India's inflation reading are the highlights for next week



Key events in EMEA next week

Inflation data from the Czech Republic and Poland, and a central bank meeting in Romania are the highlights for next week

By Adam Antoniak, Frantisek Taborsky and 2 others

Key events in developed markets next week

The main data highlights in the US next week will be the release of core inflation data along with retail sales, which are expected to come in soft given auto sale numbers. In the UK, keep an eye out for a flurry of data releases including services inflation and wage growth - two driving factors for the Bank of England's next monetary policy decision



Source: Shutterstock

✓ US: We are looking for a 0.3% MoM increase in the core inflation rate

Strong jobs and growth data have diminished the chances of a March Federal Reserve interest rate cut significantly - and even May is no longer the odds on certainty it looked two weeks ago. While officials are still open to the idea of loosening monetary policy, they have pushed back against the chances of an imminent move. We suspect that the Fed recognises its credibility was damaged by its "inflation is transitory" assertion in 2021 only to have to rapidly reverse course with significant rate hikes through 2022 and 2023. The last thing the Fed wants to do is get it wrong again at a key turning point, loosen too soon, too quickly and reignite inflation pressures. It wants to be sure that the data is fully consistent with inflation returning to 2% and staying there.

The Fed's favoured inflation measure, the core PCE deflator, is already tracking at the appropriate rate and labour market inflation pressures are easing, based on declining quit rates and the

slowing employment cost index. However, the Fed would ideally like to see a bit more slack in the jobs market, created by a moderation in growth rates – the “soft landing”. This week’s numbers could point in this direction, with retail sales and industrial production as the activity highlights while consumer price inflation is also scheduled for release. Starting with CPI, it has been posting more rapid month-on-month increases than the PCE deflator, largely due to the heaving weighting of housing and vehicles in the basket of goods and services used to calculate the inflation rate. Rents are slowing in the open market, but the way the series is constructed within the CPI report means those movements take a long time to show up in official data. Manheim used car auction prices suggest vehicle prices will be a depressing factor on January inflation. We are looking for a 0.3% MoM increase in the core inflation rate with the risks skewed slightly in favour of a 0.2% outcome rather than a 0.4% increase.

Retail sales are likely to be soft, given that auto sales numbers already published were poor. Bad weather has certainly played a part, but 20+ year high borrowing costs for credit cards, car loan and personal loans are not helping. There is also growing evidence suggesting that pandemic era accrued excess savings will be supportive for spending. Meanwhile, industrial production is likely to be lifted due to strong utilities demand, but manufacturing is likely to stay subdued given the ongoing contraction signalled by the ISM report.

At the January FOMC meeting Chair Jerome Powell acknowledged that monetary policy is well into “restrictive territory” and it will be “appropriate to dial back” on that at some point this year. We expect that May will be the starting point, by which time we think ongoing subdued core inflation measures will give the central bank the confidence to cut rates. We see the policy rate getting down to 4% by the end of this year and 3% by mid-2025. This will merely get us close to neutral territory – the Fed’s view is that 2.5% is likely the long-term average. If the economy does enter a more troubled period, such as through banking stresses, there is scope for much deeper cuts than we are forecasting.

UK: Services inflation and wage growth likely to remain sticky

Next week we’ll get a huge amount of data on the UK, some of which will have a bearing on when the Bank of England cuts rates. Of greatest consequence for the rate outlook will be services inflation and private-sector wage growth. The former is likely to notch higher, in part because of some volatile moves in air fares. The latter is likely to drop pretty noticeably again, which in part reflects the recent cooling in the jobs market. But both services inflation and wage growth remain too high for the BoE’s liking, and are likely to remain sticky in the first quarter.

We’ll also get growth figures this week, and it looks like the plunge in retail sales in December might have been enough to nudge the economy into another very slight contraction. That’ll mark the second such contraction and will spark lots of headlines about recession, but the reality is that this is a recession in name only. Indeed, we think the outlook for the UK economy is brightening and we’ll see a return to modest but nevertheless positive growth figures this year. However, these GDP figures – particularly the volatile monthly version – are not going to be what determines the timing of the Bank of England’s first rate cut.

Key events in developed markets next week

Country	Time	Data/event	ING	Survey	Prev.
Tuesday 13 February					
US	1100	Jan NFIB small business optimism	92	-	91.9
	1330	Jan Core CPI (MoM%/YoY%)	0.3/3.8	0.3/3.7	0.3/3.9
	1330	Jan CPI (MoM%/YoY%)	0.2/3.0	0.2/2.9	0.3/3.4
UK	0700	Dec ILO Unemployment Rate	-		4.2
	0700	Dec Employment Change	-		73
	0800	Average Weekly Earnings 3M/YoY	5.7		6.5
	0800	Average Earnings ex Bonus 3M YoY	6.0		6.6
Switzerland	0730	Jan CPI (MoM%/YoY%)	-/-	/	0/1.7
Wednesday 14 February					
UK	0700	Jan Core CPI (YoY%)	5.3	/	5.1
	0700	Jan CPI (MoM%/YoY%)	-0.3/4.3	/	0.4/4
	0700	CPI Services (YoY%)	6.8		6.4
Norway	0700	Q4 GDP Growth	-		-0.5
	0700	Q4 GDP Growth Mainland	-		0.1
	0700	Dec GDP Month	-		1.2
	0700	Dec GDP Month Mainland	-		-0.2
Netherlands	0830	Dec Trade Balance	-		13,263
Eurozone	1000	Q4 GDP Flash Estimate (QoQ%/YoY%)	-/-	/	0/0.1
	1000	Dec Industrial Production (MoM%/YoY%)	-/-	/	-0.3/-6.8
Thursday 15 February					
US	1330	Jan Retail Sales (MoM%)	-0.2	-0.1	0.6
	1330	Jan "control group" retail sales (MoM%)	0.2	0.2	0.8
	1330	Initial Jobless Claims (000)	225	-	218
	1330	Continuing Jobless Claims (000)	1895	-	1871
	1415	Jan Industrial Production (MoM%)	0.3	0.4	0.1
UK	0700	Dec GDP Estimate (MoM%)	-0.2	/	0.3
	0700	Q4 GDP Prelim (QoQ%)	-0.1	/	-0.1
Italy	0900	Dec Global Trade Balance	-		3,889
Spain	0800	Jan CPI (MoM%/YoY%)	-/-	/	0.1/3.4
Greece	1000	Jan CPI (YoY%)	-		3.5
Eurozone	1000	Dec Total Trade Balance SA	-		14.8
	1100	Jan Reserve Assets Total	-		1147.67
Friday 16 February					
US	1330	Jan PPI (MoM%/YoY%)	0.1/0.7	0.1/-	-0.1/1.0
	1330	Jan core PPI (MoM%/YoY%)	0.1/1.8	0.1/-	0.0/1.8
	1500	Feb University of Michigan Sentiment Prelim	80	79	79
	1500	Feb University of Michigan Conditions Prelim	-		81.9
	1500	Feb University of Michigan Expectations Prelim	-		77.1
France	0745	Jan CPI (YoY%) NSA	-		3.1
	0745	Jan CPI (MoM%) NSA	-		-0.2
UK	0700	Jan Retail Sales Inc Auto Fuel (MoM%/YoY%)	2.5/-0.9	/	-3.2/-2.4
	0700	Jan Retail Sales Ex Auto Fuel (MoM%/YoY%)	2.5/-0.6		-3.3/-2.1
Sweden	0700	Jan Unemployment Rate	-		7.7

Source: Refinitiv, ING

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Asia Week Ahead: Jobs data from Australia, India's inflation report and a central bank meeting

The latest jobs report from Australia and Indian inflation feature in next week's data calendar. Meanwhile, the Philippines holds a policy meeting and is expected to pause



Australia's jobs report

After the Reserve Bank of Australia paused but retained its slightly hawkish bias, this week's employment data is important. The December figures surprised forecasters, showing a large 65.1K decline in employment, which was worse when you consider that this was made up of a 106K decline in full-time (generally better paid, better conditions etc) jobs, with the 41.4K increase in part-time jobs helping to limit the apparent weakness at the headline level.

About the only good news last month was that a large drop in labour force participation helped to keep the unemployment rate unchanged at 3.9%. Markets were emboldened to look for more and sooner RBA rate cuts than had been the case. That may not prove to have been a correct

decision...the next inflation data will provide more insight.

So what can we expect in January? We are tempted to put December down as at least partly a blip, with seasonal adjustments in the peak holiday month potentially exaggerating what is really going on. Some mean reversion seems probable in January.

The huge fall in full-time employment could well see some bounce, we are suggesting a positive figure of about 30K, though there is little if any science behind that number. Likewise, a smaller part-time number of just +15K feels about right for total employment growth of +45K.

As for the unemployment rate, the big drop in the labour force last month meant that the numbers of those counted as unemployed barely changed. We think that following a month out of work, more of these could drift back into the figures as they start looking again for work. That will put up the labour force and unemployment total by the same amount, which could push the unemployment rate up to 4.0%.

India's inflation and trade figures

It's a big week for Indian data as well, with January inflation and December trade data due. The inflation figures pushed higher in November and December, reaching 5.7% year-on-year. However, this was mostly due to seasonal variations in the price of vegetables and other foods, and this looks like it has moderated substantially over the last month. We might not quite see a 4-handle in January, but something like 5.1% YoY from a -0.1% month-on-month change in the price level looks like a decent guess.

The trade deficit could narrow a little in December on slightly lower crude oil prices relative to November, but we are not looking for any significant changes there.

BSP to look past inflation slide

Bangko Sentral ng Pilipinas (BSP) meets next week to discuss policy. We expect the Bank to look past the [recent slide in headline inflation](#) and keep policy settings untouched. BSP Governor Eli Remolona had previously indicated that he prefers to keep policy "sufficiently tight" given the risks to the inflation outlook. Despite the recent dip for both the headline and core inflation readings, Remolona believes price pressures could pick up in the second half of the year. Remolona will likely retain his current stance for at least the first half of the year until he sees ample proof that inflation will remain within his 2-4% inflation target.

Key events in Asia next week

Country	Time (GMT+8)	Data/event	ING	Survey	Prev.
Monday 12 February					
China		- Jan FDI (YTD)	-		-8
India	1200	Jan CPI Inflation (YoY%)	5.1		5.69
	1200	Dec Industrial Output (YoY%)	-		2.4
Tuesday 13 February					
Indonesia	0400	Jan Consumer Confidence Index	-		123.8
Wednesday 14 February					
Japan	2350	Q4 GDP (QoQ%)	0.3	0.3	-0.7
India	0630	Jan WPI Inflation (YoY%)	-		0.73
Thursday 15 February					
Australia	0030	Jan Unemployment Rate	4		3.9
Australia	0030	Employment change (000s total)	45		-65.1
Australia	0030	Full-time employment (000s)	30		-106.6
Australia	0030	Part-time employment (000s)	15		41.4
	0030	Jan Reserve Assets Total	-		89432
Indonesia	0400	Jan Trade Balance (Bln of \$)	3.5		3.3
	0400	Jan Exports Growth (YoY%)	4.0		-5.76
	0400	Jan Imports Growth (YoY%)	-3.2		-3.81
Philippines	0700	1 Policy Interest Rate	6.5		6.5
South Korea	2300	Jan Unemployment Rate	3.4		3.3
Friday 16 February					
Indonesia	0400	Dec Retail Sales Index (YoY%)	-		2.1

Source: Refinitiv, ING

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Key events in EMEA next week

In Poland, GDP and CPI releases will be the highlight of next week. Meanwhile, we expect to see headline inflation in the Czech Republic heading closer to the central bank's target, while fourth quarter GDP in Hungary should be positive due to base effects. We forecast the National Bank of Romania will keep rates on hold at its February meeting



Source: Shutterstock

☑ Poland: Headline inflation expected to moderate below 4% YoY

GDP (4Q23): 1.0% YoY

Since the StatOffice has already released the preliminary 2023 GDP estimate, the fourth quarter result is less of a mystery now. Economic growth at 0.2% year-on-year in 2023 implies growth of around 1.0% YoY in 4Q23. This is a bit of a disappointing reading, following encouraging signs in 3Q23. Household consumption, in particular, fell short of expectations as it most likely stalled in YoY terms after expanding by 0.8% YoY in 3Q23. Despite the rebound in real disposable income, households remain hesitant and cautious with spending. At the same time, fixed investment continued to rise at a solid pace (7-8% YoY). We estimate that foreign trade contributed positively to 4Q23 GDP growth, while the change in inventories was still a serious drag on growth. We still remain positive on the 2024 outlook and forecast consumption-led growth of 3%.

CPI (January): 3.8% YoY

The January CPI report will be of a preliminary nature as the reading will still be based on the 2023 basket weights and limited in detail (only the main categories will be unveiled). We estimate that food prices changed little vs. December 2023 and headline CPI inflation moderated below 4% YoY amid a high reference base from January 2023, when VAT on energy was restored. The figure will be revised in March along with the update of CPI basket weights. Still, we expect a V-shaped inflation path in 2024, with rapid disinflation in 1Q24 and a bounceback in the second half of 2024 as measures that froze energy prices will expire and authorities introduce new solutions (yet to be decided).

✓ Czech Republic: After more than two years, inflation is finally close to target

For January, we expect the traditional high seasonality in the Czech Republic to push prices up by 1.9% month-on-month. Almost all items in the consumer basket rose, in our view. However, the main issue will be the change in energy prices, which are rising in the regulated component but falling in the market component. Overall, however, we expect housing prices, which include energy prices, to have gone up 0.7% in January. On the other hand, downward pressure on inflation is coming from the volatile components i.e. food and fuel prices. In both cases, we expect a decline of around 1% MoM. The headline YoY number should thus fall to 2.7% due to the large base effect from last year. Core inflation should stagnate around 3.6% YoY. The central bank expects a headline number for January of 3.0% YoY. If January inflation does indeed show levels somewhere below 3%, we believe that other months should be at similar levels comfortable for the central bank.

✓ Hungary: Low base saves the day for 4Q GDP

The only (and really important) data point will be the release of 4Q GDP in Hungary. We expect a significant positive contribution from agriculture thanks to base effects and supportive weather, while industry, construction and services will all contribute negatively to the year-on-year GDP growth index. But once again, the low base will save the day. As the fourth quarter of 2023 had two fewer working days than the last quarter of 2022, we expect significant revisions to previous data points due to seasonal adjustments. In short, we will see an economy in a gentle recovery phase, emerging from a technical recession. Despite the positive momentum in the second half of the year, the full-year performance remains disappointing, with a 0.7% contraction in 2023.

✓ Romania: National Bank of Romania to keep rates on hold

In Romania, we expect the NBR to keep rates on hold at its 13 February meeting and we think it's likely that we will see some mildly dovish signs put forward by officials. On 14 February, we expect to learn that annual growth picked up in the fourth quarter, on the back of accelerating private consumption and still-strong fixed investment. That said, we think that less positive developments are due on the inflation front, as data will likely show that price pressures picked up to 7.1% in January (December: 6.6%) as firms pushed higher taxation costs onto consumers.

Key events in EMEA next week

Country	Time	Data/event	ING	Survey	Prev.
Monday 12 February					
Turkey	0700	Dec Unemployment Rate	-		8.8
Ukraine	1330	Dec Trade Balance YTD	-		-24.35
Croatia	1000	Jan CPI (YoY%)	-		4.5
	1000	Jan CPI (MoM%)	-		-0.5
Tuesday 13 February					
Turkey	0700	Dec Current Account Balance	-3.2		-2.722
Poland	1300	Dec Current Account	-		1325
Czech Rep	0900	Dec Current Account Balance	-		43.52
Romania	1300	Mon Policy Rate	7		7
Wednesday 14 February					
Russia	1600	Jan CPI (MoM%/YoY%)	0.68/7.26	/	0.7/7.4
Poland	0900	Q4 GDP (YoY%) Flash	1.0		0.5
	0900	Q4 GDP (QoQ%) Flash	-1.2		1.5
Hungary	0730	Q4 GDP (YoY%) Prelim	1.1	0.9	-0.4
Romania	0700	Jan CPI (YoY%)	7.1		6.61
	0700	Q4 GDP Flash (YoY%)	2.2		1.1
Bulgaria	1000	Q4 GDP Flash (YoY%)	1.8		1.8
South Africa	1100	Dec Retail Sales (YoY%)	-		-0.9
Thursday 15 February					
Turkey	0800	Jan Budget Balance	-		-842.53
Poland	0900	Jan CPI (MoM%/YoY%)	0.2/3.8	/	0.1/6.2
Czech Rep	0800	Jan CPI (MoM%/YoY%)	1.9/2.7	/	-0.4/6.9
Kazakhstan	0900	Jan Industrial Production (MoM%/YoY%)	-/-	/	7.8/4.3
Bulgaria	1000	Jan CPI (YoY%)	3.9		4.7

Source: Refinitiv, ING

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